FEBRUARY 4, 2019

ADDENDUM TO THE PRELIMINARY OFFICIAL STATEMENT
DATED JANUARY 28, 2019 RELATING TO:

# VILLAGE OF SALTAIRE
## SUFFOLK COUNTY, NEW YORK
**(the "Village")**

## $1,400,000 PUBLIC IMPROVEMENT SERIAL BONDS, SERIES 2019
**(the "Bonds")**

**and**

## $3,100,000 BOND ANTICIPATION NOTES, SERIES 2019
**(the "Notes")**

**The following change have been made to the "Disclosure Compliance History" section of the Preliminary Official Statement:**

**Disclosure Compliance History**

The following table sets forth the annual filings for each of the five preceding fiscal years. Some of the filings below were made more than 180 days after the ending of the fiscal year, but within 6 months of such year.

| Fiscal Year Ending June 30: | Financial & Operating Information | Audited Financial Statements |
|---|---|---|
| 2014 | 11/10/2014 | 11/10/2014 |
| 2015 | 11/25/2015 | 09/25/2015 |
| 2016 | 11/23/2016 | 09/20/2016 |
| 2017 | 11/13/2017 | 11/02/2017 |
| 2018 | 11/20/2018 | 11/15/2018 |

**The Village failed to file its Adopted Budget for the fiscal year ended May 31, 2014 in a timely manner. A material event notice was filed on September 18, 2014 regarding the late filing.**

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 28, 2019**

**NEW ISSUE**
**SERIAL BONDS – BOOK ENTRY**
**BOND ANTICIPATION NOTES – BOOK-ENTRY**

**RATING: S&P GLOBAL RATINGS: "  "**
**See "Bond Rating", herein**

*In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law and (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, however interest on the Bonds and the Notes is included in the calculation of a corporations adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018) and the Bonds and the Notes are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Code and (ii) interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Bonds and the Notes may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "Tax Matters" herein.*

*The Village will designate the Bonds and the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.*

# VILLAGE OF SALTAIRE
## SUFFOLK COUNTY, NEW YORK
**(the "Village")**

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## $1,400,000* PUBLIC IMPROVEMENT SERIAL BONDS, SERIES 2019
**(the "Bonds")**
**[BOOK-ENTRY BONDS]**

**BOND MATURITY SCHEDULE**
**(See Inside Front Cover)**

*Prior Redemption:* The Bonds maturing on December 15, 2026 and thereafter are subject to redemption, at the option of the Village, prior to maturity, in inverse order of maturity or in equal proportionate amounts, on any date on or after December 15, 2025 in accordance with the terms described herein. See "Optional Redemption" under "The Bonds," herein.

*Form and Denomination:* The Bonds will be issued as registered bonds, and when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), Jersey City, New Jersey, which will act as the Securities Depository for the Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their interests in the Bonds purchased. (See "*Book-Entry System*" under "*THE BONDS*" herein).

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## $3,100,000* BOND ANTICIPATION NOTES, SERIES 2019
**(the "Notes")**

Dated Date: February 19, 2019 Maturity Date: February 19, 2020

*Prior Redemption:* The Notes will not be subject to redemption prior to their maturity.

*Form and Denomination:* At the option of the purchaser, the Notes may be either registered to the purchaser or registered in the name of Cede & Co., as nominee for the Depository Trust Company, Jersey City, New Jersey ("DTC") as book-entry notes.

For those Notes registered to the purchaser, a single note certificate shall be delivered to the purchaser, and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

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*Security and Sources of Payment:* The Bonds are general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, without limitation as to rate or amount, subject to the applicable provisions of Chapter 97 of the Laws of 2011. The Notes are general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village subject to the applicable provisions of Chapter 97 of the Laws of 2011 (see *The Tax Levy Limit Law*, under TAX INFORMATION, herein).

Proposals for the Bonds and the Notes will be received at 11:00 A.M. (Prevailing Time) on February 7, 2019 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

*The Bonds and the Notes are offered subject to the final approving opinions of Squire Patton Boggs (US) LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds and the Notes will be made on or about February 19, 2019 in New York, New York, or as otherwise agreed to by the Village and the purchaser.*

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE VILLAGE FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE CONTINING DISCLOSURE FOR THE BONDS AND THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

*Preliminary, subject to change.

January , 2019

# VILLAGE OF SALTAIRE
## SUFFOLK COUNTY, NEW YORK

## $1,400,000* PUBLIC IMPROVEMENT SERIAL BONDS, SERIES 2019

### BOND MATURITY SCHEDULE

**Dated: Date of Delivery**

**Principal Due:** **December 15, 2019-2038, inclusive**
**Interest Due:** **December 15, 2019 semi-annually thereafter on June 15 and December 15 in each year to maturity**

| Amount* | Maturity | Rate | Price or Yield | CUSIP # |
|---|---|---|---|---|
| $ 60,000 | December 15, 2019 | | | |
| 50,000 | December 15, 2020 | | | |
| 55,000 | December 15, 2021 | | | |
| 55,000 | December 15, 2022 | | | |
| 55,000 | December 15, 2023 | | | |
| 60,000 | December 15, 2024 | | | |
| 60,000 | December 15, 2025 | | | |
| 65,000 | December 15, 2026** | | | |
| 65,000 | December 15, 2027** | | | |
| 65,000 | December 15, 2028** | | | |
| 70,000 | December 15, 2029** | | | |
| 70,000 | December 15, 2030** | | | |
| 75,000 | December 15, 2031** | | | |
| 75,000 | December 15, 2032** | | | |
| 80,000 | December 15, 2033** | | | |
| 80,000 | December 15, 2034** | | | |
| 85,000 | December 15, 2035** | | | |
| 90,000 | December 15, 2036** | | | |
| 90,000 | December 15, 2037** | | | |
| 95,000 | December 15, 2038** | | | |

*Preliminary, subject to change
**Subject to optional redemption prior to maturity.

**VILLAGE OF SALTAIRE**
**SUFFOLK COUNTY, NEW YORK**

PO Box 5551
Bay Shore, NY 11706
Telephone: 631/583-5566
Fax: 631/583-5986

**BOARD OF TRUSTEES**

John A. Zaccaro, Jr., Mayor

Nat Oppenheimer
Hugh O'Brien
Hillary Richard
Frank Wolf

Mario Posillico, Village Administrator/Clerk
Donna Lyudmer, Treasurer
Joseph W. Prokop, Esq., Village Attorney

* * *

Bond Counsel
Squire Patton Boggs (US) LLP
New York, New York

SQUIRE PATTON BOGGS

* * *

**MUNICIPAL ADVISOR**

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: http://www.munistat.com

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds and the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Village from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

## TABLE OF CONTENTS


Page

**THE BONDS** ..... **1**

DESCRIPTION OF THE BONDS ..... 1
OPTIONAL REDEMPTION ..... 1
AUTHORIZATION AND PURPOSE OF BONDS ..... 2
CONTINUING DISCLOSURE UNDERTAKING FOR THE BONDS ..... 2

**THE NOTES** ..... **3**

DESCRIPTION ..... 3
OPTIONAL REDEMPTION ..... 3
AUTHORIZATION FOR AND PURPOSE OF NOTES ..... 4
DISCLOSURE UNDERTAKING FOR THE NOTES ..... 4
DISCLOSURE COMPLIANCE HISTORY ..... 5

**BOOK-ENTRY SYSTEM** ..... **5**

SECURITY AND SOURCE OF PAYMENT ..... 6
REMEDIES UPON DEFAULT ..... 7

**THE VILLAGE** ..... **7**

DESCRIPTION ..... 7
UTILITIES ..... 8
SERVICES AND PROGRAMS ..... 8
STORM RESILIENCY ..... 8
FORM OF GOVERNMENT ..... 8
ELECTED AND APPOINTED OFFICIALS ..... 8
VILLAGE EMPLOYEES ..... 9

**DEMOGRAPHIC AND STATISTICAL INFORMATION** ..... **9**

POPULATION TRENDS ..... 9
INCOME DATA ..... 9
SELECTED LISTING OF LARGER EMPLOYERS ..... 10
UNEMPLOYMENT RATE STATISTICS ..... 10

**INDEBTEDNESS OF THE VILLAGE** ..... **10**

CONSTITUTIONAL REQUIREMENTS ..... 10
STATUTORY PROCEDURE ..... 11
CALCULATION OF TOTAL NET INDEBTEDNESS AND NET DEBT CONTRACTING MARGIN ..... 12
DEBT SERVICE REQUIREMENTS - OUTSTANDING BONDS ..... 13
DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING ..... 13
AUTHORIZED BUT UNISSUED INDEBTEDNESS ..... 13
CAPITAL PROJECT PLANS ..... 13
TREND OF OUTSTANDING DEBT ..... 14
CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS ..... 14
DEBT RATIOS ..... 14

**FINANCIAL MATTERS** ..... **15**

FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES ..... 15
*Fund Structure and Accounts* ..... 15
*Basis of Accounting* ..... 15

## TABLE OF CONTENTS - CONTINUED

Page


INVESTMENT POLICY ..... 15
FUND BALANCE POLICY ..... 16
REVENUES ..... 16
*Real Property Taxes* ..... 16
*State Aid* ..... 16
BUDGETARY PROCEDURES ..... 17
THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM AND OSC COMPLIANCE REVIEWS ..... 17
EXPENDITURES ..... 17
PENSION SYSTEMS ..... 17
PAYMENTS TO THE RETIREMENT SYSTEMS ..... 18
OTHER POST-EMPLOYMENT BENEFITS ..... 18

**TAX INFORMATION ..... 19**

REAL PROPERTY TAXES ..... 19
TAX COLLECTION PROCEDURE ..... 20
TAX LEVY LIMIT LAW ..... 20
TAX LIMIT ..... 21
TAX LEVIES, COLLECTIONS AND RATES ..... 21
SELECTED LISTING OF LARGE TAXABLE PROPERTIES ..... 21

**LITIGATION ..... 21**

**BONDHOLDERS AND NOTEHOLDER RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE ..... 22**

**TAX MATTERS ..... 22**

RISK OF FUTURE LEGISLATIVE CHANGES AND/OR COURT DECISIONS ..... 24
ORIGINAL ISSUE DISCOUNT AND ORIGINAL ISSUE PREMIUM ..... 24

**DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS AND NOTES ..... 25**

ABSENCE OF LITIGATION ..... 25
LEGAL MATTERS ..... 25
CLOSING CERTIFICATES ..... 25

**RATING ..... 25**

**MUNICIPAL ADVISOR ..... 26**

**CYBERSECURITY ..... 26**

**ADDITIONAL INFORMATION ..... 26**

**APPENDIX A: FINANCIAL INFORMATION**
**APPENDIX B: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MAY 31, 2018**

# OFFICIAL STATEMENT

## VILLAGE OF SALTAIRE
## SUFFOLK COUNTY, NEW YORK

## $1,400,000 PUBLIC IMPROVEMENT SERIAL BONDS, SERIES 2019
## and
## $3,100,000 BOND ANTICIPATION NOTES, SERIES 2019

This Official Statement and the appendices hereto present certain information relating to the Village of Saltaire, in the County of Suffolk, in the State of New York (the "Village," "Counties" and "State," respectively) in connection with the sale of $1,400,000 Public Improvement Serial Bonds, Series 2019 (the "Bonds") and $3,100,000 Bond Anticipation Notes, Series 2019 (the "Notes") of the Village.

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

## THE BONDS

### Description of the Bonds

The Bonds will be dated their date of delivery, and will mature in the principal amounts on December 15 in each of the years 2019 to 2038, inclusive, as set forth on the inside cover page hereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable on December 15, 2019 and semiannually thereafter on June 15 and December 15 in each year to maturity. Principal and interest will be paid by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Village referred to therein.

The Record Date of the Bonds will be the last business day of the calendar month preceding each interest payment date.

### Optional Redemption

The Bonds maturing on or before December 15, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on December 15, 2026 and thereafter, will be subject to redemption, at the option of the Village, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after December 15, 2025, at par plus accrued interest to the date of redemption.

If less than all of any of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Village by lot in any customary manner of selection as determined by the Village. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption by regular United States mail. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

*Preliminary, subject to change

## Authorization and Purpose of Bonds

The Bonds are being issued in accordance with the Constitution and statutes of the State of New York including the Village Law and the Local Finance Law to pay the cost pursuant to various bond resolutions duly adopted by the Board of Trustees of the Village, authorizing the issuance of serial bonds, to finance the following purposes.

| Date of Authorization | Purpose | Amount Authorized | Amount to Bonds |
|---|---|---|---|
| 12/11/2018 | Acquisition, Construction and Reconstruction of Buildings and Related Appurtenant Boardwalks | $4,817,072 | $ 626,565 |
| 12/11/2018 | Improvements to Water Mains | 773,435 | 773,435 |
| | | Total: | $1,400,000 |

For further information regarding bond authorizations of the Village for capital purposes and other matters relating thereto. (See "*Indebtedness of the Village,*" herein.)

## Continuing Disclosure Undertaking for the Bonds

At the time of delivery of the Bonds, the Village will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the Village for the benefit of holders of and owners of beneficial interest in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board ("MSRB") established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

(1) (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement relating to the Bonds under the headings "The Village", "Economic and Demographic Information", "Indebtedness of the Village", "Finances of the Village, "Tax Information", "Litigation" and all Appendices (other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending May 31, 2019, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending May 31, 2019; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the Village of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Village of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Village; (xiii) the consummation of a merger, consolidation, or acquisition involving

the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material, (xv) incurrence of a "financial obligation" of the Village, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect security holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Village, if any, such event reflects financial difficulties.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (iv) the Village does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Village in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Village, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Village.

The Village may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the Village does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide the annual financial information by the date specified.

The Village's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provisions, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Village, and no person or entity, including a holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Village to comply with the Undertaking will not constitute a default with respect to the Bonds.

The Village reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

## THE NOTES

### Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The Village will act as Paying Agent for the Notes. The Village's contact information is as follows: Mario Posillico, Village Administrator/Clerk, Village of Saltaire, P.O. Box 5551, Bay Shore, New York 11706, Phone (631) 583-5566, Fax (631) 583-5986 and email: mario@saltaire.org.

### Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

## Authorization for and Purpose of Notes

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and a resolution duly adopted by the Village Board on December 11, 2018. See "Impact Upon the Village of Superstorm Sandy" herein.

| Date of Authorization | Purpose | Amount Authorized | Amount to BANs |
|---|---|---|---|
| 12/11/2018 | Acquisition, Construction and Reconstruction of Buildings and Related Appurtenant Boardwalks | $4,817,072 | $3,100,000 |
| | | Total: | $3,100,000 |

## Disclosure Undertaking for the Notes

This Official Statement is in a form "deemed final" by the Village for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the Village will provide an executed copy of its "Undertaking to Provide Notices of Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the Village for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice not in excess of ten (10) business days after the of the occurrence of any of the following events with respect to the Notes:

> (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Village; (xiii) the consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material, (xv) incurrence of a "financial obligation" of the Village, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect security holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Village, if any, such event reflects financial difficulties.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (iv) the Village does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in (xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The Village may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the Village does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The Village's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Village, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Village to comply with the Undertaking will not constitute a default with respect to the Notes.

The Village reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

**Disclosure Compliance History**

The following table sets forth the annual filings for each of the five preceding fiscal years. Some of the filings below were made more than 180 days after the ending of the fiscal year, but within 6 months of such year.

| Fiscal Year Ending June 30: | Financial & Operating Information | Audited Financial Statements |
|---|---|---|
| 2014 | 11/10/2014 | 11/10/2014 |
| 2015 | 11/25/2015 | 09/25/2015 |
| 2016 | 11/23/2016 | 09/20/2016 |
| 2017 | 11/13/2017 | 11/02/2017 |
| 2018 | 11/20/2018 | 11/15/2018 |

The Village failed to file its Adopted Budget for the fiscal year ended May 31, 2014 in a timely manner. A material event notice was filed on September 18, 2014 regarding the late filing.

## BOOK-ENTRY SYSTEM

DTC, will act as securities depository for the Bonds and, if so chosen by the purchaser, the Notes. The Bonds and the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond and note certificate will be issued for each maturity of the Bonds and the Notes and deposited with DTC for all of the Bonds and the Notes bearing the same rate of interest.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilities the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds and the Notes, except in the event that u se of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds and the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Bonds and the Notes may wish to ascertain that the nominee holding the Bonds and the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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Source: The Depository Trust Company, New York, New York.

DTC may discontinue providing its services as depository with respect to the Bonds and the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Village takes no responsibility for the accuracy thereof. In addition, the Village will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Bonds and the Notes or (iii) any notice which is permitted or required to be given to Bondowners and Noteowners.

## Security and Source of Payment

Each Bond and Note when duly issued and paid for will constitute a contract between the Village and the holder thereof.

The Bonds and the Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Bonds and the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to the applicable provisions of Chapter 97 of the laws of 2011 (the "*Tax Levy Limit Law*" herein). The Tax Levy Limit Law imposes a statutory limit on the Village's power to increase its annual real property tax levy, including such taxes to pay the principal of and interest on the Bonds and the Notes.

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy. **(**See "*Tax Levy Limit Law*" herein).

### Remedies Upon Default

Under current law, provision is made for contract creditors (including the Bondholders and Noteholders) of the Village to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy have been issued.

Remedies for enforcement of payment are not expressly included in the Village's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Bondholder's and Noteholders remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debts, including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency police powers to assure the continuation of essential public services.

No principal or interest payments on Village indebtedness are past due. The Village has never defaulted in the payment of the principal of and interest on any indebtedness.

## THE VILLAGE

There follows in this Official Statement a brief description of the Village, together with certain information concerning its economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

### Description

The Village was incorporated in 1917. The Village is located on the westerly end of Fire Island approximately one mile from Robert Moses State Park in the Town of Islip in Suffolk County, New York (The "Town").

Fire Island is a barrier island, 31 miles long, off the southern coast of Long Island, New York. It is accessible by ferry and by vehicle across the Robert Moses and Smith Point bridges. Robert Moses State Park, on the western end, and Smith Point County Park toward the eastern end, attract tens of thousands of visitors each year. Much of the area on the island is part of the Fire Island National Seashore overseen by the National Park Service. Fire Island also encompasses 17 different communities.

The Village contains approximately 400 homes, of which 5% to 10% are occupied year-round with the remainder principally during the summer months and on weekends. Because of its extensive recreational opportunities including boating, fishing, and swimming in the Atlantic Ocean and the Great South Bay (a naturally protected waterway), ball field sports, tennis and a Village operated children's day camp, the Village is thought to be a highly desirable "second home" location for families. The Village maintains an engineered beach and managed beachfront, which includes periodic sand replenishment. The most recent replenishment occurred in the late winter/early spring of 2016, which was fully funded and implemented by the Army Corps of Engineers as part of the congressionally approved and funded FIMI project. This project will mitigate the risks and effects of the natural littoral drift and storm activity, thereby maintaining the protective and recreational features of the beach desired by its residents and visitors. The home ownership base has been highly stable, with no more than 1% to 2% changing hands in any one year and with many homes passing from one generation to the next.

## Utilities

The Village supplies its own water to its residents. Electric service is provided by the PSEG Long Island and National Grid. Public gas is not available anywhere in the Village.

## Services and Programs

Pursuant to State law, the County, not the Village, is responsible for funding and providing various social service and health care programs such as Medicaid, aid to families with dependent children, home relief and mental health programs. The County also provides police protection and law enforcement for the Village.

The Village offers residents most of the services traditionally provided by Village governments. Those services include ordinance enforcement and security, water, refuse collection, road and walkway maintenance, beach lifeguard protection, children's camp and other recreational activities, building code enforcement, planning and zoning administration. The Village also oversees a local Justice Court that is responsible for enforcing portions of the State's Vehicle and Traffic Law as well as having jurisdiction over certain civil and criminal matters.

## Storm Resiliency

The Village in the past has experienced significant damage to both private property and public infrastructure as a result of storms. Most of the damage to private homes was due to rising flood waters, and subsequently all of the damaged homes have been completely repaired, many of which were improved and elevated to become more flood resistant. The homes are primarily seasonal homes, although there are a small percentage of homes that are occupied on a permanent basis.

The sole commercial structure in the Village that provided grocery services to the residents was also damaged and the Village completed the reconstruction of the new Saltaire Market complex in the spring of 2016. The Market re-opened May 15, 2016 under the management of a Concessionaire. The concession agreement should produce revenue to the Village in the area of approximately $100,000 per year, but more importantly will serve and support the needs of the Village and its residents and guests for years to come.

There has been significant damage to certain Village infrastructure, all of which was covered by FEMA through public assistance grant funding. The primary infrastructure damage was to public walkways, the total cost of repair estimated at approximately $20M. The Village is more than 85% complete on the walkway repair project, with all walks being rebuilt to a new flood-resistant design that will be able to remain intact during a future flooding event.

The Village has installed an emergency dune stabilization system that offers the necessary protection from storm activity. The US Congress authorized the US Army Corps of Engineers to implement a major beach stabilization project for Fire Island, known as FIMI. The project was completed in Saltaire in the late winter/early spring of 2016. The Village is also actively engaged in the planning of the Fire Island to Montauk Point (FIMP) reformulation project which will add to the coastal storm mitigation efforts.

Over the next year, the Village will be completing the balance of the storm resiliency projects including renovations to Village Hall, the reconstruction of the Lighthouse Promenade to a flood-resistant elevated boardwalk design, and the upgrades/replacement of water mains. It is anticipated that much of these projects will be financed with the proceeds of the bonds, grants and available funds. The proceeds of the Bonds and the Notes will finance a portion of such projects. See also "*Capital Project Plans*" herein.

## Form of Government

The legislative, appropriating, and policy determining body of the Village is the Board of Trustees (the "Board"). The Board consists of four Trustees and a Mayor, all of whom are elected at large in alternate years to service two-year term, with a right of self-succession. It is the responsibility of the Board to enact, by resolution, all legislative ordinances and local laws. Annual operating budgets for the Village are presented by the Village Administrator at a public hearing and must be approved by the Board. Modifications to and transfers between budgetary appropriations also must be authorized by the Board. All Village indebtedness must be approved by a 2/3 vote of the voting strength of the Board and may also be subject to public "permissive referendum" as set forth in the Local Finance Law.

## Elected and Appointed Officials

The Village is administered on a day-to-day basis by a Village Administrator/Clerk, who is appointed by the Mayor and approved by the Board. The Village Administrator directs and supervises all Village employees. The Village Administrator acts as a liaison to other governmental agencies, ensures that all rules and regulations are complied with and that necessary reports are issued, and handles the concerns of Village residents.

The Village Treasurer, the chief fiscal officer of the Village, has custody of the corporate seal, books, records, papers, and bank accounts of the Village, and all the reports and communications of the Board. The Village Administrator/Clerk is also the Clerk to the Board, keeping minutes of its proceedings, and maintaining the Village's code of laws and ordinances.

### Village Employees

The Village has eight full time employees (5 maintenance staff, 1 public safety staff and 2 office staff), and between 80 to 110 mostly seasonal part time employees. No employees are represented by a union. The seasonal employees are used to staff day camp positions, lifeguard positions and to supplement the maintenance and security departments.

## DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Village, the Town, the County and the State.

### Population Trends

| Year | Village | Islip Town | Suffolk County | New York State |
|---|---|---|---|---|
| 1980 | 35 | 298,897 | 1,284,231 | 17,557,288 |
| 1990 | 38 | 299,587 | 1,321,864 | 17,990,455 |
| 2000 | 43 | 303,093 | 1,419,369 | 18,976,457 |
| 2010 | 37 | 335,543 | 1,493,350 | 19,378,102 |
| 2017 | 10 | 335,710 | 1,498,130 | 19,697,457 |

Sources: U.S. Bureau of the Census.

### Income Data

| | Per Capita Money Income | | | |
|---|---|---|---|---|
| | 1990 | 2000 | 2010 | 2017[a] |
| Village | - | - | $72,057 | $70,870 |
| Town of Islip | $16,778 | $23,699 | 30,893 | 34,222 |
| County of Suffolk | 18,481 | 26,577 | 35,755 | 40,277 |
| State of New York | 16,501 | 23,389 | 30,948 | 35,752 |

| | Median Household Income | | | |
|---|---|---|---|---|
| | 1990 | 2000 | 2010 | 2017[a] |
| Village | - | - | $81,786 | $96,250 |
| Town of Islip | $50,212 | $65,359 | 82,160 | 90,278 |
| County of Suffolk | 49,128 | 65,288 | 84,506 | 92,838 |
| State of New York | 32,965 | 43,393 | 55,603 | 60,765 |

Source: United States Bureau of the Census
a: Based on American Community Survey 5-Year Estimates (2013-2017)

**Selected Listing of Larger Employers**

| Name of Employer | Nature of Business | Number of Employees |
|---|---|---|
| Village of Saltaire | Municipality | 110 |
| Saltaire Market | Grocery Store | 25 |
| Saltaire Yacht Club | Private Club | 15 |
| Various Contractors | Construction | Various |

Source: Village Officials.

**Unemployment Rate Statistics**

Unemployment statistics for the Village are not available as such. The smallest area for which statistics are available (which include the Village) is the Town of Islip. The information set forth below with respect to the Town, County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the Village is necessarily representative of the Town, County or the State or vice versa

| Annual Averages: | Town of Islip (%) | Suffolk County (%) | New York State (%) |
|---|---|---|---|
| 2013 | 6.8 | 6.5 | 7.7 |
| 2014 | 5.5 | 5.3 | 6.4 |
| 2015 | 4.8 | 4.8 | 5.3 |
| 2016 | 4.4 | 4.3 | 4.8 |
| 2017 | 4.5 | 4.5 | 4.7 |
| 2018 (11 Month Average) | 4.0 | 4.1 | 4.2 |

Source: Department of Labor, State of New York

## INDEBTEDNESS OF THE VILLAGE

### Constitutional Requirements

The New York State Constitution limits the power of the Village (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Village and the Bonds and the Notes.

**Purpose and Pledge.** The Village shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or weighted average maturity thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

**General.** The Village is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in the exercise of such powers; however, as has been noted under *"Security and Source of Payment"*, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

## Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Village determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Village has complied with such procedure for the bond resolution authorizing the issuance of the Bonds and the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits bonds and notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, bonds and notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such bonds and notes were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*").

In addition, under each bond resolution, the Board of Trustees may delegate, and has delegated, power to issue and sell bonds and notes, to the Village Treasurer, the chief fiscal officer of the Village.

In general, the Local Finance Law contains similar provisions providing the Village with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

**Debt Limit.** The Village has the power to contract indebtedness for any Village purpose so long as the aggregate outstanding principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Village to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

The following pages set forth certain details with respect to the indebtedness of the Village.

**Calculation Of Total Net Indebtedness and Net Debt Contracting Margin**
(As of January 28, 2019)

| Fiscal Year Ending May 31: | Assessed Valuation | State Equalization Rate (%) | Full Valuation |
|---|---|---|---|
| 2015 | $38,973,229 | 10.51 | $370,820,447 |
| 2016 | 39,314,767 | 10.56 | 372,298,930 |
| 2017 | 40,131,863 | 10.66 | 376,471,510 |
| 2018 | 40,707,213 | 10.73 | 379,377,568 |
| 2019 | 41,453,497 | 10.44 | 397,064,148 |

| | |
|---|---|
| Total Five Year Full Valuation | $1,896,032,603 |
| Average Five Year Full Valuation | 379,206,521 |
| Debt Limit - 7% of Average Full Valuation | 26,544,456 |
| Inclusions: | |
| General Purpose Bonds | 6,890,000 |
| Bond Anticipation Notes | 0 |
| Total Inclusions | 6,890,000 |
| Exclusions: | |
| Appropriations | 0 |
| Total Exclusions | 0 |
| Total Net Indebtedness Before the Issuance of the Bonds and Notes | 6,890,000 |
| The Bonds | 1,400,000 |
| The Notes | 3,100,000 |
| Less: BANs to be Redeemed by the Issuance of the Bonds | 0 |
| Net Effect of the Bonds and Notes | 4,500,000 |
| Total Net Indebtedness After the Issuance of the Bonds and Notes | 11,390,000 |
| Net Debt Contracting Margin | $15,154,456 |
| Percent of Debt Contracting Margin Exhausted (%) | 42.91 |

**Debt Service Requirements - Outstanding Bonds[a]**

| Fiscal Year Ending May 31: | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $690,000 | $158,693 | $848,693 |
| 2020 | 440,000 | 145,705 | 585,705 |
| 2021 | 445,000 | 136,005 | 581,005 |
| 2022 | 450,000 | 125,355 | 575,355 |
| 2023 | 450,000 | 114,680 | 564,680 |
| 2024 | 455,000 | 103,980 | 558,980 |
| 2025 | 455,000 | 93,255 | 548,255 |
| 2026 | 460,000 | 82,505 | 542,505 |
| 2027 | 305,000 | 74,055 | 379,055 |
| 2028 | 310,000 | 67,905 | 377,905 |
| 2029 | 320,000 | 61,605 | 381,605 |
| 2030 | 325,000 | 55,155 | 380,155 |
| 2031 | 330,000 | 48,605 | 378,605 |
| 2032 | 340,000 | 41,905 | 381,905 |
| 2033 | 345,000 | 35,055 | 380,055 |
| 2034 | 350,000 | 28,018 | 378,018 |
| 2035 | 365,000 | 20,598 | 385,598 |
| 2036 | 370,000 | 12,695 | 382,695 |
| 2037 | 375,000 | 4,313 | 379,313 |
| Totals | $7,580,000 | $1,410,086 | $8,990,086 |

a. Does not include payments made to date.

**Details of Short-Term Indebtedness Outstanding**

As of the date of this Official Statement, the Village has no short term indebtedness outstanding.

**Authorized but Unissued Indebtedness**

As of the date of this Official Statement, the Village has $5,665,507 in authorized but unissued indebtedness for various improvements to the Village, $4,500,000 of which will be financed with the issuance of the Bonds and Notes. (See "*Storm Resiliency*" herein).

**Capital Project Plans**

The Village is generally responsible for providing services as required to the residents on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and from time to time equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operation maintenance expenses. In addition, the Village owns, operates, maintains and improves recreation facilities. As has been noted, the Village generally has provided the financing for water facilities and maintains primary responsibility for these functions, respectively. In general, with respect to new financings by the Village, bond authorizations are not anticipated to be substantially different than generally have prevailed in the past.

## Trend of Outstanding Debt

| | Fiscal Year Ending May 31: | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Bonds | $3,235,000 | $2,830,000 | $2,420,000 | $8,260,000 | $7,580,000 |
| BANs | 2,000,000 | 0 | 4,850,000 | 0 | 0 |
| RANs | 0 | 7,000,000 | 5,000,000 | 2,250,000 | 0 |
| Total Debt Outstanding | $5,235,000 | $9,830,000 | $12,270,000 | $10,510,000 | $7,580,000 |

## Calculation of Estimated Overlapping and Underlying Indebtedness

| Overlapping Units | Date of Report | Percentage Applicable (%) | Applicable Total Indebtedness | Applicable Net Indebtedness |
|---|---|---|---|---|
| County of Suffolk | 05/25/2018 | 0.14 | $3,248,146 | $1,764,423 |
| Town of Islip | 09/25/2018 | 0.98 | 1,611,752 | 1,540,506 |
| Fire Island UFSD | 06/30/2017 | N/A | 0 | 0 |
| Totals | | | $4,859,898 | $3,304,929 |

## Debt Ratios
(As of January 28, 2019)

| | Amount | Per Capita[a] | Percentage of Full Value (%)[b] |
|---|---|---|---|
| Total Direct Debt | $ 6,890,000 | $ 689,000 | 1.735 |
| Net Direct Debt | 6,890,000 | 689,000 | 1.735 |
| Total Direct & Applicable Total Overlapping Debt | 11,749,898 | 1,174,990 | 2.959 |
| Net Direct & Applicable Net Overlapping Debt | 10,194,929 | 1,019,493 | 2.568 |

a. The current estimated population of the Village is 10.
b. The full valuation of taxable real property in the Village for 2018-19 is $397,064,148.

## FINANCIAL MATTERS

### Financial Statements and Accounting Procedures

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. The financial records of the Village are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended May 31, 2018, which is attached hereto as Appendix B. In addition, the financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various State and federal statutes. As required by law, the Village also prepares and Annual Financial Report Update Document (unaudited) for submission to the State Comptroller. A summary of the operating results for the past five fiscal years is attached as Appendix A hereto.

*Fund Structure and Accounts*

The Village utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Village maintains a General Fund and a Capital Projects Fund. The Village-Wide General Fund is the operating fund of the Village and accounts for general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to other funds, general operating expenses, and fixed charges.

*Basis of Accounting*

The Village maintains its records and reports on the modified accrual basis of accounting for recording transactions in its Governmental Funds. Under this method, (1) revenues are recorded when received in cash except for revenues which are material and susceptible to accrual (measurable and available to finance the year's operations) which are recorded when earned, and (2) expenditures, other than retirement plan contributions, vacation and sick pay and accrued interest on bond anticipation notes and general long-term debt, are recorded at the time liabilities are incurred.

### Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

## Fund Balance Policy

The Village has adopted a formal Fund Balance Policy, after consultation with the Village's Auditor and Municipal Advisor, that is compliant with all relevant Government Accounting Standards Board principles and NYS Comptroller's guidance. Given the Village's relatively small budget, considering the pending capital projects that need to be funded prior to FEMA reimbursement, the Village's proximity to the coastline which increases the rate of depreciation on infrastructure as well as the likelihood of storm impacts, the level of unassigned fund balance will be in the 30-40% range, or approximately $1,250,000. Funds that are above that threshold should be assigned for future capital projects as necessary until such time as the FEMA projects and other smaller planned non-reimbursable projects come to completion.

## Revenues

The Village receives most of its revenues from real property taxes and assessments. See "Real Property Taxes", herein. A summary of such revenues and other financings sources for the five most recently completed fiscal years may be found in Appendix A. (See also "*Tax Levy Limit Law*" herein).

*Real Property Taxes*

See "*Tax Information*", herein.

*State Aid*

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the audited financial statements of the Village, the Village received approximately 2.39% of its total General Fund operating revenue in the form of State aid during the fiscal year ended May 31, 2018. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Village cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years, the Village may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

Should the Village fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a cut in State aid, the Village is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

The following table sets forth the percentage of the Village's General Fund revenue comprised of State aid for each of the fiscal years 2014 through 2018 and the budgeted amount for fiscal year 2019.

| Fiscal Year Ending May 31: | Total Revenue | State Aid | State Aid to Revenues (%) |
|---|---|---|---|
| 2014 | $3,447,582 | $ 61,570 | 1.79 |
| 2015 | 3,230,814 | 102,064 | 3.16 |
| 2016 | 3,277,760 | 127,984 | 3.90 |
| 2017[a] | 5,391,899 | 65,289 | 1.21 |
| 2018 | 3,503,373 | 83,871 | 2.39 |
| 2019 (Budgeted) | 3,595,374 | 54,903 | 1.53 |

Source: Audited financial statements (2014-2018) and the adopted budget for the fiscal year ended May 31, 2019.
a. Includes approximately $1.9 million in proceeds for the sale of Village-owned land.

## Budgetary Procedures

The Village Board, with the assistance of the Village Administrator, prepares a preliminary budget in the Spring of each year and holds a public hearing thereon by April 15. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Board of Trustees as its final budget for the coming fiscal year by May 1. The budget is not subject to voter approval.

## The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the Village as "No Designation" (Fiscal Score: 10.0%) in 2017. More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The Village has not received any audits in the last five years.

## Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Culture and Recreation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

## Pension Systems

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS") or the New York State and Local Police and Fire Retirement System (PFRS). The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for Tier 6 employees. The Retirement Systems Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Generally, all members hired on or after July 27, 1976 through and including December 31, 2009 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement Systems, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for ERS employees hired after January 1, 2010 through March 31, 2012. Tier 5 employees contribute 3% of their salaries and there is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines at certain times, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years.

The Village has decided not to amortize any pension contributions.

The Village is required to contribute an actuarially determined rate. The following table sets forth the contributions for the five most recently completed fiscal years and the budgeted amount for 2019.

**Payments to the Retirement Systems**

| Fiscal Year Ending May 31: | ERS |
|---|---|
| 2014 | $170,644 |
| 2015 | 150,826 |
| 2016 | 147,262 |
| 2017 | 123,047 |
| 2018 | 117,924 |
| 2019 (Budgeted) | 120,000 |

**Other Post-Employment Benefits**

The Village provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Village, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") described below requires such accounting.

OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Village presents its financial statements under a comprehensive statutory basis of accounting in accordance with principles prescribed by the Office of the State Comptroller ("OSC") of the State of New York.

Should the Village required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Village's finances and could force the Village to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirements for the Village to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Village has decided to continue funding the expenditure on a pay-as-you-go basis.

Actuarial Valuation are required every two years for OPEB plans with more than two hundred members, or every three years if there are less than two hundred members. Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

| Annual OPEB Cost and Net OPEB Obligation | Fiscal Year Ending May 31, 2018: |
|---|---|
| Annual required contribution (ARC) | $203,502 |
| Interest on net OPEB obligation | 37,232 |
| Less: Adjustments to ARC | (48,130) |
| Annual OPEB cost (expense) | 192,604 |
| Less: Contributions made | (53,211) |
| Increase in net OPEB obligation | 139,393 |
| Net OPEB obligation-beginning of year | 930,797 |
| Net OPEB obligation-end of year | $1,070,190 |

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended May 31, 2018 and the two preceding years are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| May 31, 2018 | $192,604 | 27.6 | $1,070,190 |
| May 31, 2017 | 184,328 | 28.1 | 930,797 |
| May 31, 2016 | 176,170 | 24.0 | 798,305 |

## TAX INFORMATION

### Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village's power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. See "Tax Limit" herein. The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations.

The following table sets forth the percentage of the Village's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2014 through 2018 and budgeted for 2019.

| Fiscal Year Ending May 31: | Total Revenue | Real Property Taxes | Real Property Taxes to Revenues (%) |
|---|---|---|---|
| 2014 | $3,447,582 | $2,083,728 | 60.44 |
| 2015 | 3,230,814 | 2,090,962 | 64.72 |
| 2016 | 3,277,760 | 2,112,889 | 64.46 |
| 2017[a] | 5,391,899 | 2,185,400 | 40.53 |
| 2018 | 3,503,373 | 2,239,149 | 63.91 |
| 2019 (Budgeted) | 3,595,374 | 2,263,360 | 62.95 |

Source: Audited financial statements (2014-2018) and the adopted budget for the fiscal year ending May 31, 2019.
a. Includes approximately $1.9 million in proceeds for the sale of Village-owned land.

## Tax Collection Procedure

The Village collects its own taxes. Taxes are due on June 1st each year and are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July 31. Unpaid Village taxes are collected through tax sales.

## Tax Levy Limit Law

On June 24, 2011, Chapter 97 of the Laws of 2011 (the "Tax Levy Limit Law" or "TLLL") was enacted. The Tax Levy Limit Law expires on June 16, 2020 unless extended. The Tax Levy Limit Law imposes a tax levy limitation on the Village for any fiscal year each commencing after January 1, 2012 without providing an express exclusion for real property taxes levied for payment of principal of and interest on general obligations issued by the Village under the Local Finance Law. Accordingly, the power of the Village to levy real property taxes on all taxable real property within the Village without limitation as to rate or amount in furtherance of the pledge of its faith and credit as required in the New York Constitution is subject to statutory limitations pursuant to formulae set forth in the Tax Levy Limit Law.

The Tax Levy Limit Law restricts the increase in the amount of the succeeding year's tax levy to no more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. The TLLL also provides for certain adjustments for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. The 2% limit can be increased and overridden annually through a local law enacted by a 60% supermajority vote by the Village Board subject to referenda requirements, if any, set forth in the Municipal Home Rule Law. Express exclusions from the 2% limit of TLLL include (i) funds needed to pay judgments in excess of 5% of the prior year's tax levy, and (ii) retirement systems growth in the average actuarial contribution rate in excess of 2%. The Village is also permitted to carry forward a certain portion of its unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the Office of the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

Nonetheless, the TLLL does not provide an express exclusion from the tax levy limitation for payment of principal and interest on general obligations authorized and issued by the Village under the Local Finance Law. A plain English reading of the TLLL compared with the applicable and corresponding provisions of Article VIII of the New York Constitution (Local Government Finance) could lead to the conclusion that the TLLL is contrary to and violative of certain provisions of Article VIII the New York Constitution. On February 19, 2013, the New York State United Teachers organization ("NYSUT") filed a lawsuit in State Supreme Court in Albany against the State, challenging Chapter 97 of the Laws of 2011 as applied to school districts on multiple federal and state constitutional grounds. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015, a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016, the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". Press reports indicate that NYSUT is reviewing the decision and is likely to appeal to the Court of Appeals.

Aside from the State United Teachers lawsuit, as of the date hereof, the Village, without diligence, is unaware of any action threatened or pending in a court of competent jurisdiction to challenge the constitutionality or validity of the TLLL, or any administrative proceeding noticed or scheduled by a committee of the Legislature or a State agency to gather evidence and determine whether corrective legislative action is required to ensure that the TLLL is a valid general law. In the opinion of bond counsel, under current law, the limitations imposed by TLLL on real property tax levies do not diminish the prior lien on the first revenues of the Village set forth in the New York State Constitution and established by the aforesaid pledge of the Village's faith and credit requiring the Village to raise the necessary moneys and to exceed normal real estate tax limitations to pay the principal of and interest on the Bonds and Notes. Bond counsel expresses no opinion on the validity of Chapter 97 of the Laws of 2011 under the applicable provisions of Article VIII of the New York Constitution.

## Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2017-2018 fiscal year is as follows:

| | |
|---|---|
| Five-year Average Full Valuation | $378,453,338 |
| Tax Limit - 2% thereof | 7,569,067 |
| Tax Levy for General Village Purposes | 2,263,360 |
| Less: Exclusions | 0 |
| Tax Levy Subject to Tax Limit | $2,263,360 |
| Constitutional Tax Margin | $5,305,707 |

## Tax Levies, Collections and Rates

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Tax Levy | $2,087,312 | $2,085,067 | $2,103,340 | $2,191,199 | $2,222,613 |
| Tax Collections[a] | 2,083,728 | 2,090,962 | 2,112,889 | 2,185,400 | 2,239,149 |
| Taxes Rate per $1,000 | $53.50 | $53.50 | $53.50 | $54.60 | $54.60 |

a. Tax Collections represent the actual amount of taxes collected as reflected in the financial statements, including penalties and tax sales. See "*Tax Collection Procedure*" herein.

## Selected Listing of Large Taxable Properties
2018-2019 Assessment Roll

| Name | Type | Assessed Valuation |
|---|---|---|
| Village People, LLC. | Residential | $585,825 |
| Shelly Frost Rubin | Residential | 465,933 |
| Klaus Peter Rentrop | Residential | 336,200 |
| Hochman Family 2012 Trust | Residential | 333,300 |
| Steven Wolfe | Residential | 317,055 |
| Frank Markus | Residential | 315,493 |
| Salvatore Zizza | Residential | 297,688 |
| Saltaire Yacht Club, Inc. | Club | 272,070 |
| Steven Robert Goldstein Trust | Residential | 262,757 |
| Nicolas Oudin | Residential | 249,797 |
| | Total [a] | $3,436,118 |

a. Represents 8.29% of the total taxable assessed valuation for 2018-19.

## LITIGATION

In common with other municipalities, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with the Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial condition of the Village.

## BONDHOLDERS AND NOTEHOLDER RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Bonds and the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors.

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. Accordingly, a decline in the Village's credit rating could adversely affect the market value of the Bonds and the Notes.

In addition, if and when a holder of any of the Bonds and the Notes should elect to sell a Bond and a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any Bonds and Notes. The price or principal value of the Bonds and Notes is dependent on the prevailing level of interest rates. If interest rates should increase, the price of a bond or note may decline causing the bond or noteholder to potentially incur a capital loss if such bond or note is sold prior to its maturity.

The financial condition of the Village as well as the market for the Bonds and the Notes could be affected by a variety of factors, some of which are beyond the Village's control. There can be no assurance that adverse events in the State including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds and the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Village to arrange for additional borrowing and the market for and market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

The Village is dependent in part on financial assistance from the State in the form of State aid. There may be reductions in State aid to local governments and school districts, including the Village, in the current and future fiscal years. State aid accounts for a 1.53% portion of the Village's 2019 budgeted revenues. The Village does not believe future State aid reductions will have a material adverse effect on the Village. Should the Village fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the Village is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid. (See also "*State Aid*").

Future amendments to applicable statutes affecting the treatment of interest paid on municipal bonds and notes, including the Bonds and the Notes, for income taxation purposes could have an adverse effect on the market value of the Bonds and the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire district in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may have an impact upon the market price for the Bonds and the Notes. **(**See "*Tax Levy Limit Law*," herein).

## TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax, however, interest on the Bonds and Notes is included in the calculation of a corporation's adjusted current earnings for purposes of and thus may be subject to the corporate alternative minimum tax, (applicable only to taxable years beginning before January 1, 2018) and (ii) interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds and the Notes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Village contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds and the Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Village's certifications and representations or the continuing compliance with the Village's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds and the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Village may cause loss of such status and result in the interest on the Bonds and the Notes being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and the Notes. The Village has covenanted to take the actions required of it for the interest on the Bonds and the Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds and the Notes, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and the Notes or the market value of the Bonds and the Notes.

Interest on the Bonds and the Notes is included in the calculation of corporations adjusted current earnings for purposes of and thus may be subject to the federal corporate alternative minimum tax (applicable only to taxable years before January 1, 2018). In addition, interest on the Bonds and the Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds and the Notes. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds and the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond or Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Bonds and the Notes ends with the issuance of the Bonds and the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Village or the owners of the Bonds and the Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds and the Notes, under current IRS procedures, the IRS will treat the Village as the taxpayer and the beneficial owners of the Bonds and the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds and the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds and the Notes.

Prospective purchasers of the Bonds and the Notes upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Bonds and the Notes at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

## Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds and the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds and the Notes will not have an adverse effect on the tax status of interest on the Bonds and the Notes or the market value or marketability of the Bonds and the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds and the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for taxable years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. This legislation may increase, reduce or otherwise change the financial benefits currently provided to certain owners of state and local government bonds. Additionally, investors in the Bonds and Notes should be aware that future legislative actions may retroactively change the treatment of all or a portion of the interest on the Bonds and Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds and Notes may be affected and the ability of holders to sell their Bonds and Notes in the secondary market may be reduced.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

## Original Issue Discount and Original Issue Premium

Certain of the Bonds and the Notes ("Discount Bonds and Notes") as indicated on the cover of this Official Statement may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount). over the "issue price" of a Discount Bonds and Notes. The issue price of a Discount Bonds and Notes is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds and Notes of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bonds and Notes over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bonds and Notes (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds and the Notes, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bonds and Notes. The amount of OID that accrues each year to a corporate owner of a Discount Bonds and Notes is taken into account in computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Bonds and Notes in the initial public offering at the price for that Discount Bonds and Notes stated on the cover of this Official Statement who holds that Discount Bonds and Notes to maturity will realize no gain or loss upon the retirement of that Discount Bonds and Notes.

Certain of the Bonds and the Notes ("Premium Bonds and Notes") as indicated on the cover of this Official Statement may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond and note premium. For federal income tax purposes, bond and note premium is amortized over the period to maturity of a Premium Bonds and Notes, based on the yield to maturity of that Premium Bond and Note (or, in the case of a Premium Bond and Note callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond and Note), compounded semiannually. No portion of that bond and note premium is deductible by the owner of a Premium Bond and Note. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond Note, the owner's tax basis in the Premium Bond and Note is reduced by the amount of bond and note premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond and Note for an amount equal to or less than the amount paid by the owner for that Premium Bond and Note. A purchaser of a Premium Bond and Note in the initial public offering at the price for that Premium Bond and Note stated on the cover of this Official Statement who holds that Premium Bond and Note to maturity (or, in the case of a callable Premium Bond and Note, to its earlier call date that results in the lowest yield on that Premium Bond and Note) will realize no gain or loss upon the retirement of that Premium Bond and Note.

*Owners of Discount and Premium Bonds and Notes should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond and note premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and Notes and as to other federal tax consequences and the treatment of OID and bond and note premium for purposes of state and local taxes on, or based on, income.*

## DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS AND NOTES

### Absence of Litigation

Upon delivery of the Bonds and the Notes, the Village shall furnish a certificate of the Village Attorney, dated the date of delivery of the Bonds and the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds and the Notes, or in any way contesting or affecting the validity of the Bonds and the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and the Notes, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the Village wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Village or adversely affect the power of the Village to levy, collect and enforce the collection of taxes or other revenues for the payment of the Bonds and the Notes, which has not been disclosed in this Official Statement.

### Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds and the Notes will be subject to the final approving opinion of the law firm of Squire Patton Boggs (US) LLP, Bond Counsel to the Village with respect to the Bonds and the Notes, which will be available at the time of delivery of the Bonds and the Notes. Such opinion will be to the effect that the Bonds and the Notes are valid and legally binding general obligations of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Bonds and the Notes and interest thereon, subject to the limitations imposed by the Tax Levy Limit Law. The opinion shall also discuss the treatment of interest on the Bonds and the Notes under applicable tax laws, as further described in the section entitled “Tax Matters” and shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to the Bonds and the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) said law firm gives no assurances and expresses no opinion as to the adequacy, sufficiency or completeness of the Official Statement of the Village relating to the Bonds and the Notes, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Bonds and the Notes which have been or may be furnished or disclosed to purchasers of the Bonds and the Notes.

### Closing Certificates

Upon the delivery of the Bonds and the Notes, the Purchaser will be furnished with the following items: (i) a Certificate of the Village Treasurer of the Village to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Bonds and the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the Village since the date of this Official Statement up to and including the time of delivery of the Bonds and the Notes, and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by the Village Treasurer evidencing payment for the Bonds and the Notes; (iii) a Signature Certificate evidencing the due execution of the Bonds and the Notes, including statements that (a) no litigation of any nature is pending or threatened, restraining or enjoining the issuance and delivery of the Bonds and the Notes or the levy and collection of taxes to pay the principal thereof and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds and the Notes were authorized or affecting the validity of the Bonds and the Notes thereunder, (b) neither the corporate existence or boundaries of the Village nor the title of any of the officers thereof to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds and the Notes have been repealed, revoked or rescinded; and (iv) a Tax Certificate executed by the Village Treasurer, as described under "Tax Matters."

## RATING

The Notes are not rated. The District has applied to S&P Global Ratings (“S&P”) 55 Water Street, New York, New York 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, for a rating on the Bonds and such application is pending at this time. This rating will reflect only the view of S&P, and any desired explanation of the significance of such rating should be obtained from such S&P. Generally, S&P bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds. Such rating should not be taken as a recommendation to put or hold the Bonds.

## MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor serves as independent municipal advisor to the Village on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds and the Notes was based on materials provided by the Village and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Village or the information set forth in this Official Statement or any other information available to the Village with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Muncipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## CYBERSECURITY

The Village, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Village faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Village invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. To mitigate such risk the Village has contracted with an outside technology firm to assist in the prevention detection and remediation of any such attacks. In addition, the Village maintains an insurance policy covering cyber liability. The results of any such attack could impact business operations and/or damage Village digital networks and systems and the costs of remedying any such damage could be substantial.

## ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Village of Saltaire, P.O. Box 5551, Bay Shore, NY 11706, telephone number 631/583-5566 or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: http://www.munistat.com.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Squire Patton Boggs (US) LLP expresses no opinion regarding the accuracy or completeness of any document prepared by or on behalf of the Village for use in connection with the offer and sale of the Bonds and Notes, including this Official Statement and the appendices thereto.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Village and the original purchasers or owners of any of the Bonds and the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Village which delegates to the Village Clerk/Treasurer the power to sell and issue the Bonds and the Notes.

By: s/s DONNA LYUDMER
Village Treasurer and Chief Fiscal Officer
Village of Saltaire
Bayshore, New York

January , 2019

# APPENDIX A

# FINANCIAL INFORMATION

**Balance Sheets**
**General Fund**
**Fiscal Year Ended May 31, 2018**

| | | General Fund |
|---|---|---|
| ASSETS | | |
| Cash and Cash Equivalents | $ | 1,687,106 |
| Accounts Receivables | | 19,420 |
| Due from Other Funds | | 1,718,009 |
| Due From Other Governments | | 13,596 |
| Inventories | | 71,075 |
| Prepaids | | 51,636 |
| Restricted Assets | | 97,437 |
| Total | $ | 3,658,279 |
| LIABILITIES | | |
| Accounts Payable | $ | 66,032 |
| Other Liabilities | | 115,515 |
| Due to Other Governments | | 16,964 |
| Total Liabilities | | 198,511 |
| Fund Equity: | | |
| Nonspendable | | 122,711 |
| Restricted Fund Balance | | 97,437 |
| Assigned Fund Balance | | 236,385 |
| Unassigned Fund Balance | | 3,003,235 |
| Total Fund Equity | | 3,459,768 |
| Total Liabilities and Fund Equity | $ | 3,658,279 |

Source: Audited Financial Statements of the Village (2018)
NOTE: This Schedule NOT audited

**Statement of Revenues, Expenditures and Fund Balances**
**General Fund**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Real Property Taxes | $ 2,083,728 | $ 2,090,962 | $ 2,112,889 | $ 2,185,400 | $ 2,239,149 |
| Other Tax Items | 11,850 | 11,321 | 6,973 | 5,972 | 6,569 |
| Non-Property Taxes | 164,059 | 165,104 | 168,057 | 254,069 | 265,125 |
| Departmental Income | 476,098 | 526,385 | 530,557 | 535,116 | 557,519 |
| Intergovernmental Charges | 32,917 | 30,000 | 30,000 | 30,000 | 30,000 |
| Use of Money and Property | 118,617 | 113,963 | 120,928 | 136,642 | 100,538 |
| Licenses & Permits | 44,480 | 43,008 | 37,817 | 42,024 | 43,320 |
| Fines & Forfeitures | 425 | 400 | 2,300 | 2,075 | 2,600 |
| Sale of Property & Compensation for Loss | 12,371 | 59,298 | 3,365 | 1,920,091 | 12,980 |
| Miscellaneous Local Sources | 17,644 | 36,466 | 29,960 | 215,221 | 83,264 |
| State Aid | 61,570 | 102,064 | 127,984 | 65,289 | 83,871 |
| Federal Aid | 423,823 | 51,843 | 106,930 | | 78,438 |
| Total Revenues | $ 3,447,582 | $ 3,230,814 | $ 3,277,760 | $ 5,391,899 | $ 3,503,373 |
| Expenditures: | | | | | |
| General Government Support | 1,135,987 | 1,192,787 | 1,068,896 | 1,057,114 | 1,045,408 |
| Public Safety | 299,897 | 263,539 | 251,064 | 300,503 | 387,968 |
| Health | 18,903 | 15,146 | 21,380 | 18,729 | 24,131 |
| Transportation | 118,906 | 108,471 | 75,311 | 104,589 | 135,470 |
| Culture and Recreation | 511,952 | 510,252 | 478,954 | 497,105 | 570,712 |
| Home and Community Services | 249,470 | 215,162 | 222,178 | 223,584 | 218,537 |
| Employee Benefits | 437,591 | 430,073 | 457,261 | 415,053 | 430,609 |
| Debt Service | 530,175 | 494,006 | 552,119 | 648,337 | 900,542 |
| Capital Outlay | | | | | |
| Total Expenditures | $ 3,302,881 | $ 3,229,436 | $ 3,127,163 | $ 3,265,014 | $ 3,713,377 |
| Other Financing Sources (Uses): | | | | | |
| Proceeds From: | | | | | |
| Operating Transfers - In | | | 40,740 | | |
| Operating Transfers - Out | | | | | |
| Total Other Financing Sources (Uses) | 0 | 0 | 40,740 | 0 | 0 |
| Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses | 144,701 | 1,378 | 191,337 | 2,126,885 | (210,004) |
| Fund Balance Beginning of Year | 1,205,471 | 1,350,172 | 1,351,550 | 1,542,887 | 3,669,772 |
| Prior Period Adjustments | | | | | |
| Fund Balance End of Year | $ 1,350,172 | $ 1,351,550 | $ 1,542,887 | $ 3,669,772 | $ 3,459,768 |

Sources: Audited Financial Statements of the Village (2014-2018)

NOTE: This Schedule NOT audited

**Budget Summaries**
**General Fund**

| | 2018-19 | 2017-18 |
|---|---|---|
| Revenues: | | |
| Real Property Taxes | $ 2,263,360 | $ 2,222,613 |
| Non-Property Taxes | 7,500 | 7,500 |
| Departmental Income | 856,896 | 840,885 |
| Use of Money and Property | 22,151 | 7,506 |
| Licenses and Permits | 77,500 | 77,500 |
| Fines and Forfeitures | 2,500 | 1,750 |
| Sale of Property and Compensation for Loss | 2,500 | 35,000 |
| State Aid | 54,903 | 54,903 |
| Transfer of Funds | 233,064 | 168,040 |
| Miscellaneous Items | 75,000 | 77,000 |
| Total | $ 3,595,374 | $ 3,492,697 |
| Expenditures: | | |
| General Government Support | $ 965,733 | $ 920,458 |
| Public Safety | 114,053 | 99,778 |
| Health | 35,500 | 28,000 |
| Transportation | 52,602 | 48,202 |
| Culture and Recreation | 554,931 | 502,781 |
| Home and Community Services | 215,003 | 213,166 |
| Employee Benefits | 644,561 | 629,683 |
| Water Expenses | 162,100 | 164,250 |
| Capital Reserves | | |
| Debt Service | 850,891 | 886,379 |
| Total Expenditures | $ 3,595,374 | $ 3,492,697 |

Sources: Adopted budgets of the Village

**VILLAGE OF SALTAIRE**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS**
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT

FINANCIAL STATEMENTS
(Regulatory Basis)

AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS

May 31, 2018

## Table of Contents

| | Page |
|---|---|
| **Independent Auditor's Report** | 1 |
| **Basic Financial Statements (Regulatory Basis)** | |
| Balance Sheet - All Fund Types and Account Groups | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds | 4 |
| Notes to Financial Statements | 5 |
| **Other Supplementary Information** | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 20 |
| **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*** | 23 |

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
*(1950 - 2013)*

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Incorporated Village of Saltaire
Saltaire, New York

## Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Saltaire, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statements are prepared by the Incorporated Village of Saltaire on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Saltaire, as of May 31, 2018, and the respective changes in its financial position for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of each fund and account group of the Incorporated Village of Saltaire, as of May 31, 2018, and the respective changes in financial position for the year then ended, in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note 1.

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Saltaire's basic financial statements. The other supplementary information on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018, on our consideration of the Incorporated Village of Saltaire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Incorporated Village of Saltaire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Saltaire's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 2, 2018

**INCORPORATED VILLAGE OF SALTAIRE**
**Balance Sheet - All Fund Types and Account Groups**
May 31, 2018

| | Governmental Funds | | Fiduciary Fund | Account Groups | | |
|---|---|---|---|---|---|---|
| | | | | Non-Current Governmental | | |
| | General | Capital Projects | Trust and Agency | Assets | Liabilities | Total |
| **ASSETS** | | | | | | |
| Cash | | | | | | |
| Unrestricted | $ 1,687,106 | $ 245,441 | $ 46,285 | $ | $ | $ 1,978,832 |
| Restricted | 97,437 | | | | | 97,437 |
| Receivables | | | | | | |
| Accounts receivable | 19,420 | | | | | 19,420 |
| Due from other funds | 1,718,009 | | | | | 1,718,009 |
| Due from state and federal | | 10,488 | | | | 10,488 |
| Due from other governments | 13,596 | | | | | 13,596 |
| Inventory | 71,075 | | | | | 71,075 |
| Prepaids | 51,636 | | | | | 51,636 |
| Capital assets | | | | 28,725,763 | | 28,725,763 |
| Provision to be made in future budgets | | | | | 8,738,068 | 8,738,068 |
| Total Assets | $ 3,658,279 | $ 255,929 | $ 46,285 | $ 28,725,763 | $ 8,738,068 | $ 41,424,324 |
| **LIABILITIES** | | | | | | |
| Payables | | | | | | |
| Accounts payable | $ 66,032 | $ 17,013 | $ | $ | $ | $ 83,045 |
| Due to other funds | | 1,712,424 | 5,585 | | | 1,718,009 |
| Due to employees' retirement system | 16,964 | | | | | 16,964 |
| Other liabilities | | | 40,700 | | | 40,700 |
| Collections in advance | 115,515 | | | | | 115,515 |
| Bonds payable | | | | | 7,580,000 | 7,580,000 |
| Other postemployment benefits payable | | | | | 1,070,190 | 1,070,190 |
| Net pension liability - proportionate share | | | | | 87,878 | 87,878 |
| Total Liabilities | 198,511 | 1,729,437 | 46,285 | - | 8,738,068 | 10,712,301 |
| **FUND BALANCE** | | | | | | |
| Investment in non-current governmental assets | | | | 28,725,763 | | 28,725,763 |
| Nonspendable: | | | | | | |
| Inventory | 71,075 | | | | | 71,075 |
| Prepaids | 51,636 | | | | | 51,636 |
| Restricted for: | | | | | | |
| Repairs | 97,437 | | | | | 97,437 |
| Assigned: | | | | | | |
| Appropriated | 233,064 | | | | | 233,064 |
| Unappropriated, fire company | 3,321 | | | | | 3,321 |
| Unassigned: Fund balance (deficit) | 3,003,235 | (1,473,508) | | | | 1,529,727 |
| Total Fund Balance (Deficit) | 3,459,768 | (1,473,508) | - | 28,725,763 | - | 30,712,023 |
| Total Liabilities and Fund Balance | $ 3,658,279 | $ 255,929 | $ 46,285 | $ 28,725,763 | $ 8,738,068 | $ 41,424,324 |

See Notes to Financial Statements

**INCORPORATED VILLAGE OF SALTAIRE**
**Statement of Revenues, Expenditures and**
**Changes in Fund Balance - Governmental Funds**
For The Year Ended May 31, 2018

| | General | Capital Projects | Total |
|---|---|---|---|
| **REVENUES** | | | |
| Real property taxes | $ 2,239,149 | $ | $ 2,239,149 |
| Other tax items | 6,569 | | 6,569 |
| Non-property tax items | 265,125 | | 265,125 |
| Departmental income | 557,519 | | 557,519 |
| Intergovernmental income | 30,000 | | 30,000 |
| Use of money and property | 100,538 | | 100,538 |
| Licenses and permits | 43,320 | | 43,320 |
| Fines and forfeitures | 2,600 | | 2,600 |
| Sale of property and compensation for loss | 12,980 | | 12,980 |
| Miscellaneous | 83,264 | | 83,264 |
| State sources | 83,871 | 134,375 | 218,246 |
| Federal sources | 78,438 | 199,230 | 277,668 |
| Total Revenues | 3,503,373 | 333,605 | 3,836,978 |
| **EXPENDITURES** | | | |
| General government support | 1,045,408 | | 1,045,408 |
| Public safety | 387,968 | | 387,968 |
| Health | 24,131 | | 24,131 |
| Transportation | 135,470 | | 135,470 |
| Culture and recreation | 570,712 | | 570,712 |
| Home and community services | 218,537 | | 218,537 |
| Employee benefits | 430,609 | | 430,609 |
| Debt service | | | |
| Principal | 680,000 | | 680,000 |
| Interest | 220,542 | | 220,542 |
| Capital outlay | | 572,717 | 572,717 |
| Total Expenditures | 3,713,377 | 572,717 | 4,286,094 |
| Excess (Deficiency) of Revenues Over Expenditures | (210,004) | (239,112) | (449,116) |
| Fund Balance (Deficit) - Beginning of Year | 3,669,772 | (1,234,396) | 2,435,376 |
| Fund Balance (Deficit) - End of Year | $ 3,459,768 | $ (1,473,508) | $ 1,986,260 |

See Notes to Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2018, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized as expenditures to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* GASB 34 financial statements require the presentation of government-wide financial statements, management's discussion and analysis and, additional required supplementary information. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) Financial Reporting Entity

The Village of Saltaire, which was incorporated in 1917, is governed by Charter of the State of New York, Village law and other general Laws of the State of New York and various local laws and ordinances. The Village is governed by the Mayor and the Board of Trustees, which is the legislative body responsible for the overall operation of the Village consisting of five members. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer of the Village.

The following basic services are provided: general support, public safety and fire protection, sanitation, recreation, water, street maintenance and lighting.

All governmental activities and functions performed for the Village of Saltaire are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, there are no other entities which would be included in the Village's reporting entity.

b) Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB as well as the financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped in the financial statements in the following fund types and account groups:

i) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

A. General Fund - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

B. Capital Projects Fund - the capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

ii) Fiduciary Fund Types

Fiduciary Funds - are used to account for funds held by the Village in the capacity of trustee, custodian, or agent.

Agency Funds – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Funds held by the Village represent various guarantee deposits.

iii) Account Groups

Account groups are used to establish accounting control and accountability for the Village's non-current governmental assets and non-current governmental liabilities. The account groups are not funds. They are concerned only with the measurement of financial position, and not with the results of operations. The Village utilizes the following account groups:

A. Non-Current Governmental Assets - is used to account for land, construction in progress, buildings, improvements and equipment owned by the Village.

B. Non-Current Governmental Liabilities - is used to account for all long-term debt and other obligations of the Village including bonds, pension and other postemployment benefit obligations.

c) Measurement Focus and Basis of Accounting

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on debt, claims and judgments, pension costs, and other postemployment benefits which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

d) Use of Estimates

The preparation of the financial statements in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Real Property Taxes

Real property taxes are levied no later than May 15th and become a lien on June 1st. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax lien sales.

f) Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying Balance Sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables and payables is provided subsequently in these Notes to Financial Statements.

g) Cash

Cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

h) Receivables

Receivables are shown net of allowance for uncollectible amounts, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

i) Inventory and Prepaid Items

Inventory consists of purchased ferry tickets available for resale and is stated at the lower of cost or market. Cost is determined using specific identification. Inventory is accounted for on the consumption method.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate inventory and prepaids do not constitute available spendable resources.

j) Capital Assets

Capital assets are recorded at cost as expenditures in the respective funds when purchased. Donated items are valued at estimated historical cost when given. Capital assets are accounted for in the non-current governmental assets account group and are removed when an asset is sold or retired.

No depreciation has been provided on capital assets.

| | Capitalization Threshold | Estimated Useful Life |
|---|---|---|
| Buildings | $ 25,000 | 40 years |
| Machinery and Equipment | 5,000 | 3 - 10 years |
| Infrastructure | 1 | 25 - 40 years |

k) Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources, consists of pension related amounts, including changes in the net pension liability not included in pension expense and Village pension contributions subsequent to the measurement date of the net pension liability.

l) Collections in Advance

Collections in advance arise when resources are received by the Village before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the Village. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Village has legal claim to the resources.

m) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. First is deferred revenues reported in the general fund when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, these deferred inflows are reclassified as revenues. The second item is reported in the non-current governmental liabilities account group and consists of changes in the net pension liability not included in pension expense.

n) Short-Term Debt

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the notes. State law requires the BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

o) Employee Benefits

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacation and sick days must be used in the year earned and cannot be accumulated.

Eligible Village employees participate in the New York State and Local Employees' Retirement System.

p) Postemployment Benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for certain retired employees and their survivors. Collective bargaining agreements determine if certain Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure as the liabilities for premiums mature (come due for payment).

q) Equity Classifications

The governmental fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance relates to inventory and prepaid items.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Fund balance classified as restricted by the Village include the following:

*Repairs Reserve*

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Trustees may establish a repair reserve fund by a majority vote of its members. Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

*Assigned* – consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

*Unassigned* – represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used only to report a deficit fund balance resulting from the overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a) Budgets

The Village's budget policies are as follows:

The Village's administration submits a tentative budget to the Board of Trustees. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.

A public hearing is held on the tentative budget by April 15th. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st.

All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and by the appropriation of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the current year.

Budgets are adopted annually on the modified accrual basis of accounting.

b) Over Expenditure of the General Fund Budget

The Village over expended the general fund budget by $220,681.

c) Capital Projects Fund

The capital projects fund had a deficit fund balance of $(1,473,508). This will be funded when the Village obtains Federal aid and permanent financing for its current construction projects.

## 3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Village's investment policies are governed by state statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United State and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf at year end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk.

## 4. DUE FROM STATE AND FEDERAL

The Village is owed $10,488 in disaster assistance from the Federal Emergency Management Agency for storm damages.

## 5. DUE FROM OTHER GOVERNMENTS

The Village is owed $13,596 from the Suffolk County Treasurer for mortgage tax.

## 6. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2018, are as follows:

| | Interfund | |
|---|---|---|
| | Receivable | Payable |
| General Fund | $ 1,718,009 | $ |
| Capital Projects Fund | | 1,712,424 |
| Fiduciary Fund | | 5,585 |
| Total | $ 1,718,009 | $ 1,718,009 |

## 7. PREPAIDS

Prepaids at May 31, 2018, consisted of:

| | |
|---|---|
| General Fund | |
| Liability insurance | $ 23,163 |
| Health insurance | 12,873 |
| Recreation expenditures | 13,100 |
| Property lease | 2,500 |
| | $ 51,636 |

## 8. CAPITAL ASSETS

A summary of changes in the Village's capital assets is as follows:

| | Balance May 31, 2017 | Additions | Reductions | Balance May 31, 2018 |
|---|---|---|---|---|
| Land | $ 1,608,064 | $ | $ | $ 1,608,064 |
| Buildings | 6,354,212 | | | 6,354,212 |
| Improvements other than buildings | 1,085,983 | | | 1,085,983 |
| Infrastructure | 17,902,761 | 285,674 | | 18,188,435 |
| Construction in progress | 62,437 | 116,072 | (62,437) | 116,072 |
| Furniture, fixtures and equipment | 1,164,765 | 260,460 | (52,228) | 1,372,997 |
| Capital assets | $ 28,178,222 | $ 662,206 | $ (114,665) | $ 28,725,763 |

## 9. SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

| | Maturity | Interest Rate | Balance May 31, 2017 | Issued | Redeemed | Balance May 31, 2018 |
|---|---|---|---|---|---|---|
| RAN | 10/20/2017 | 2.00% | $ 2,250,000 | $ | $ (2,250,000) | |

Interest on short-term debt for the year was $45,000.

## 10. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year, excluding pension and other postemployment benefits obligations, are summarized below:

| | Balance May 30, 2017 | Additions | Reductions | Balance May 31, 2018 |
|---|---|---|---|---|
| Long-term debt: | | | | |
| Bonds payable | $ 8,260,000 | $ | $ (680,000) | $ 7,580,000 |

The general fund has typically been used to liquidate long-term liabilities.

Bonds Payable

Bonds payable is comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at May 31, 2018 |
|---|---|---|---|---|
| Serial Bonds | 5/15/2010 | 6/15/2018 | 2.50 - 3.25% | $ 270,000 |
| Refunding Serial Bonds | 10/14/2014 | 6/15/2025 | 2.00 - 3.00% | 1,320,000 |
| Serial Bonds | 10/20/2016 | 6/15/2036 | 2.00 - 2.30% | 5,990,000 |
| | | | | $ 7,580,000 |

The following is a summary of maturing debt service requirements for the bonds:

| Fiscal Year Ending May 31, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 690,000 | $ 158,692 | $ 848,692 |
| 2020 | 440,000 | 145,705 | 585,705 |
| 2021 | 445,000 | 136,005 | 581,005 |
| 2022 | 450,000 | 125,355 | 575,355 |
| 2023 | 450,000 | 114,680 | 564,680 |
| 2024 -2028 | 1,985,000 | 421,700 | 2,406,700 |
| 2029 -2033 | 1,660,000 | 242,325 | 1,902,325 |
| 2034 -2037 | 1,460,000 | 65,623 | 1,525,623 |
| Total | $ 7,580,000 | $ 1,410,085 | $ 8,990,085 |

Interest expense on long-term debt was $175,543 for the year ended May 31, 2018.

## 11. PENSION PLANS

New York State and Local Employees' Retirement System

a) Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple employer, defined benefit public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

b) Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

c) Funding Policies

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year and each of the two preceding years. The Village's average contribution rate was 14.35% of the covered payroll for the ERS' fiscal year ended March 31, 2018.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31st, for the current year and two preceding years was:

| Year | Required Contribution |
|---|---|
| 2018 | $ 127,412 |
| 2017 | 122,759 |
| 2016 | 147,570 |

d) Pension Liabilities and Pension Expense Related to Pensions

At May 31, 2018, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Village.

| | |
|---|---|
| Measurement date | March 31, 2018 |
| Net pension liability | $ 87,878 |
| Village's portion of the Plan's total net pension liability | 0.0027228% |
| Change in proportion since the prior measurement date | 0.0000039 |

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

| | ERS |
|---|---|
| Measurement date | March 31, 2018 |
| Actuarial valuation date | April 1, 2017 |
| Inflation | 2.5% |
| Salary increases | 3.8% |
| Investment rate of return (net of investment expense, including inflation) | 7.0% |
| Cost of living adjustments | 1.3% |

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

| | Target Allocation | Long-term Expected Rate of Return |
|---|---|---|
| Measurement date | | March 31, 2018 |
| Asset type | | |
| Domestic equity | 36.0% | 4.55% |
| International equity | 14.0% | 6.35% |
| Real estate | 10.0% | 5.55% |
| Private equities | 10.0% | 7.50% |
| Alternative investments | 8.0% | 3.25-5.68% |
| Bonds and mortgages | 17.0% | 1.31% |
| Cash | 1.0% | (0.25)% |
| Inflation indexed bonds | 4.0% | 1.25% |
| | 100.0% | |

Real rates of return are net of a long-term inflation assumption of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

| | 1% Decrease (6.00)% | Current Assumption (7.00)% | 1% Increase (8.00)% |
|---|---|---|---|
| Village's proportionate share of the net pension asset (liability) | $ (664,910) | $ (87,878) | $ 400,268 |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

| | *Dollars in thousands* |
|---|---|
| Measurement date | March 31, 2018 |
| Employers' total pension liability | $ (183,400,590) |
| Plan fiduciary net position | 180,173,145 |
| Employers' net pension liability | $ (3,227,445) |
| Ratio of plan fiduciary net position to the employers' total pension liability | 98.24% |

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2018, represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2018 amounted to $16,918 of employer contributions. Employee contributions are remitted monthly.

## 12. POSTEMPLOYMENT HEALTHCARE BENEFITS

### A. Plan Description

The Village provides medical, Medicare part B reimbursement, and dental coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

### B. Funding Policy

The Village assumes its share of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund as the liabilities for premiums mature (come due for payment). For the year ended May 31, 2018, the Village recognized a general fund expenditure of $53,211 for insurance premiums for 5 currently enrolled retirees. Currently, there is no provision in the law to permit the Village to fund other postemployment benefits by any means other than the "pay as you go" method.

### C. Annual OPEB Cost and Net OPEB Obligation

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not

to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation.

| | |
|---|---|
| Annual required contribution (ARC) | $ 203,502 |
| Interest on net OPEB obligation | 37,232 |
| Adjustment to ARC | (48,130) |
| Annual OPEB cost (expense) | 192,604 |
| Contributions made | (53,211) |
| Increase in net OPEB obligation | 139,393 |
| Net OPEB obligation - beginning of year | 930,797 |
| Net OPEB obligation - end of year | $ 1,070,190 |

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended May 31, 2018 and the two preceding years are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| May 31, 2018 | $ 192,604 | 27.6% | $ 1,070,190 |
| May 31, 2017 | 184,328 | 28.1% | 930,797 |
| May 31, 2016 | 176,170 | 24.0% | 798,305 |

## D. Funded Status and Funding Progress

As of June 1, 2015, the date of the most recent actuarial valuation, the plan was 0% funded. The actuarial accrued liability for benefits was $2,087,142 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $2,087,142. The covered payroll (annual payroll of active employees covered by the plan) was $600,976 and the ratio of the UAAL to the covered payroll was 347.3%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% for health, reduced by decrements to an ultimate rate of 5.0% for health after 30 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

## 13. COMMITMENTS AND CONTINGENCIES

### A. Grants

The Village has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on past audits, the Village believes disallowances, if any, will be immaterial.

### B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2018, which could affect future operating budgets of the Village.

### C. Litigation

The Village is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

## 14. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

**INCORPORATED VILLAGE OF SALTAIRE**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund**
For The Year Ended May 31, 2018

| | Original Budget | Revised Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Real Property Taxes | | | | |
| Real property taxes | $ 2,222,613 | $ 2,222,613 | $ 2,239,149 | $ 16,536 |
| Other Real Property Tax Items | | | | |
| Interest and penalties | 7,500 | 7,500 | 6,569 | (931) |
| Non-Property Tax Items | | | | |
| Utilities gross receipts tax | 5,000 | 5,000 | 5,278 | 278 |
| Franchise fees | 264,065 | 264,065 | 259,847 | (4,218) |
| Total Non-Property Tax Items | 269,065 | 269,065 | 265,125 | (3,940) |
| Departmental Income | | | | |
| Clerk fees | 5,280 | 5,280 | 5,304 | 24 |
| Safety inspection fees | 82,500 | 82,500 | 84,925 | 2,425 |
| Health | 4,000 | 4,000 | 4,000 | - |
| Park and recreational charges | 206,550 | 206,550 | 186,230 | (20,320) |
| Special recreational facility charges | 60,996 | 60,996 | 61,562 | 566 |
| Library receipts | 4,500 | 4,500 | 5,316 | 816 |
| Zoning fees | 5,000 | 5,000 | 9,109 | 4,109 |
| Water sales | 195,050 | 195,050 | 201,073 | 6,023 |
| Total Departmental Income | 563,876 | 563,876 | 557,519 | (6,357) |
| Intergovernmental Charges | | | | |
| Public safety | - | - | 30,000 | 30,000 |
| Use of Money and Property | | | | |
| Interest and earnings | 1,006 | 1,006 | 3,805 | 2,799 |
| Rental of real property | 96,944 | 96,944 | 96,733 | (211) |
| Total Use of Money and Property | 97,950 | 97,950 | 100,538 | 2,588 |
| Licenses and Permits | 42,500 | 42,500 | 43,320 | 820 |
| Fines and Forfeitures | 1,750 | 1,750 | 2,600 | 850 |
| Sales of Property and Compensation for Loss | | | | |
| Sale of equipment | 35,000 | 35,000 | 9,450 | (25,550) |
| Insurance recoveries | - | - | 3,530 | 3,530 |
| Total Sale of Property and Compensation for Loss | 35,000 | 35,000 | 12,980 | (22,020) |
| Miscellaneous | | | | |
| Gifts and donations | 26,500 | 26,500 | 59,598 | 33,098 |
| Other | 3,000 | 3,000 | 23,666 | 20,666 |
| Total Miscellaneous | 29,500 | 29,500 | 83,264 | 53,764 |
| State Aid | | | | |
| Revenue sharing | 2,826 | 2,826 | 2,826 | - |
| Mortgage tax | 49,000 | 49,000 | 52,373 | 3,373 |
| Other general government aid | 1,977 | 1,977 | 2,877 | 900 |
| Youth programs | 1,100 | 1,100 | 1,216 | 116 |
| Emergency disaster | - | - | 24,579 | 24,579 |
| Total State Aid | 54,903 | 54,903 | 83,871 | 28,968 |
| Federal Aid | | | | |
| Federal disaster assistance | - | - | 78,438 | 78,438 |
| Total Revenues | 3,324,657 | 3,324,657 | 3,503,373 | $ 178,716 |
| **APPROPRIATED FUND BALANCE** | | | | |
| Prior Years' Surplus | 168,039 | 168,039 | | |
| Total Revenues | $ 3,492,696 | $ 3,492,696 | | |

See Paragraph on Other Supplementary Information Included in Auditor's Report

**INCORPORATED VILLAGE OF SALTAIRE**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)**
For The Year Ended May 31, 2018

| | Original Budget | Revised Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **EXPENDITURES** | | | | |
| General Government Support | | | | |
| Legislative board | | | | |
| Contractual services | $ 21,250 | $ 21,250 | $ 26,499 | $ (5,249) |
| Village justice court | | | | |
| Personal services | 1,250 | 1,250 | 1,943 | (693) |
| Contractual services | 250 | 250 | 345 | (95) |
| Auditor | | | | |
| Contractual services | 31,000 | 31,000 | 27,250 | 3,750 |
| Clerk and staff | | | | |
| Personal services | 320,550 | 320,550 | 321,556 | (1,006) |
| Contractual services | 46,530 | 46,530 | 43,598 | 2,932 |
| Law | | | | |
| Contractual services | 68,000 | 68,000 | 57,518 | 10,482 |
| Election | | | | |
| Contractual services | 1,200 | 1,200 | 1,015 | 185 |
| Buildings - village hall | | | | |
| Personal services | 166,840 | 166,840 | 158,804 | 8,036 |
| Equipment | 8,500 | 8,500 | 8,255 | 245 |
| Contractual services | 165,270 | 165,270 | 204,005 | (38,735) |
| Unallocated insurance | | | | |
| Contractual services | 116,799 | 116,799 | 126,788 | (9,989) |
| Refund of taxes | | | | |
| Contractual services | 68,214 | 68,214 | 67,832 | 382 |
| Total General Government Support | 1,015,653 | 1,015,653 | 1,045,408 | (29,755) |
| Public Safety | | | | |
| Police | | | | |
| Personal services | 166,944 | 166,944 | 168,938 | (1,994) |
| Equipment | 500 | 500 | 1,062 | (562) |
| Contractual services | 13,794 | 13,794 | 21,313 | (7,519) |
| Fire Department | | | | |
| Personal services | 8,428 | 8,428 | 6,720 | 1,708 |
| Equipment | 20,200 | 20,200 | 108,994 | (88,794) |
| Contractual services | 71,150 | 71,150 | 80,941 | (9,791) |
| Total Public Safety | 281,016 | 281,016 | 387,968 | (106,952) |
| Health | | | | |
| Public health | | | | |
| Contractual services | 28,000 | 28,000 | 24,131 | 3,869 |
| Total Health | 28,000 | 28,000 | 24,131 | 3,869 |
| Transportation | | | | |
| Sidewalks | | | | |
| Personal services | 33,252 | 33,252 | 37,093 | (3,841) |
| Equipment | 3,500 | 3,500 | 3,384 | 116 |
| Contractual services | 8,950 | 8,950 | 84,496 | (75,546) |
| Off street parking | | | | |
| Contractual services | 12,418 | 12,418 | 10,497 | 1,921 |
| Total Transportation | 58,120 | 58,120 | 135,470 | (77,350) |

**INCORPORATED VILLAGE OF SALTAIRE**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)**
For The Year Ended May 31, 2018

| | Original Budget | Revised Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **EXPENDITURES (Continued)** | | | | |
| Culture and Recreation | | | | |
| Playground | | | | |
| Personal services | $ 77,040 | $ 77,040 | $ 74,952 | $ 2,088 |
| Equipment | - | - | 464 | (464) |
| Contractual services | 17,500 | 17,500 | 34,182 | (16,682) |
| Special recreation | | | | |
| Personal services | 186,939 | 186,939 | 208,775 | (21,836) |
| Equipment | 3,500 | 3,500 | 518 | 2,982 |
| Contractual services | 34,326 | 34,326 | 26,563 | 7,763 |
| Youth | | | | |
| Personal services | 87,750 | 87,750 | 88,347 | (597) |
| Equipment | 500 | 500 | 219 | 281 |
| Contractual services | 61,500 | 61,500 | 100,836 | (39,336) |
| Culture | | | | |
| Personal services | 11,000 | 11,000 | 11,720 | (720) |
| Equipment | 3,750 | 3,750 | 3,042 | 708 |
| Contractual services | 3,500 | 3,500 | 3,979 | (479) |
| Other culture and recreation | | | | |
| Personal services | 2,675 | 2,675 | 5,825 | (3,150) |
| Equipment | 550 | 550 | - | 550 |
| Contractual services | 12,250 | 12,250 | 11,290 | 960 |
| Total Culture and Recreation | 502,780 | 502,780 | 570,712 | (67,932) |
| Home and Community Services | | | | |
| Refuse | | | | |
| Personal services | 28,996 | 28,996 | 33,734 | (4,738) |
| Contractual services | 92,750 | 92,750 | 84,546 | 8,204 |
| Water transportation and distribution | | | | |
| Personal services | 121,400 | 121,400 | 82,688 | 38,712 |
| Equipment | 2,500 | 2,500 | - | 2,500 |
| Contractual services | 40,350 | 40,350 | 17,569 | 22,781 |
| Total Home and Community Services | 285,996 | 285,996 | 218,537 | 67,459 |
| Employee Benefits | | | | |
| State employee retirement | 121,652 | 121,652 | 127,412 | (5,760) |
| Social security and Medicare | 92,496 | 92,496 | 90,756 | 1,740 |
| Workers compensation | 35,000 | 35,000 | 34,531 | 469 |
| Unemployment insurance | 8,333 | 8,333 | 6,052 | 2,281 |
| Disability insurance | 2,000 | 2,000 | 1,328 | 672 |
| Hospital and medical insurance | 171,147 | 171,147 | 168,740 | 2,407 |
| MTA tax | 4,124 | 4,124 | 1,790 | 2,334 |
| Total Employee Benefits | 434,752 | 434,752 | 430,609 | 4,143 |
| Debt Service | | | | |
| Principal | 680,000 | 680,000 | 680,000 | - |
| Interest | 206,379 | 206,379 | 220,542 | (14,163) |
| Total Debt Service | 886,379 | 886,379 | 900,542 | (14,163) |
| Total Expenditures | $ 3,492,696 | $ 3,492,696 | 3,713,377 | $ (220,681) |
| Net Changes in Fund Balance | | | (210,004) | |
| Fund Balance - Beginning of Year | | | 3,669,772 | |
| Fund Balance - End of Year | | | $ 3,459,768 | |

**Note to Other Supplementary Information**
Budget Basis of Accounting - Budgets are adopted on the modified accrual basis of accounting

See Paragraph on Other Supplementary Information Included in Auditor's Report

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
*(1950 - 2013)*

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
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DONALD J. HOFFMANN, CPA
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ALAN YU, CPA

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Incorporated Village of Saltaire
Saltaire, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2018, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 2, 2018. As described more fully in Note 1, the Incorporated Village of Saltaire has prepared these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Incorporated Village of Saltaire's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Incorporated Village of Saltaire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Saltaire's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Incorporated Village of Saltaire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Saltaire in a separate letter dated November 2, 2018.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

November 2, 2018